

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

VIA ELECTRONIC MAIL

March 24, 2023

Raymond Latchem - ray@norgasco.com
President
Norgasco, Inc
4341 B Street Suite 306
Anchorage, AK

CPF: 5-2023-016-NOPV

Dear Mr. Latchem,

From May 7 through May 11, 2022, and September 27 through September 30, 2022, a representative from the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Norgasco Inc.'s (Norgasco or Operator) natural gas distribution system in Deadhorse, Alaska.

As a result of the inspection, it is alleged that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

1. **§ 192.285 Plastic pipe: Qualifying persons to make joints.**
 - (a) **No person may make a plastic pipe joint unless that person has been qualified under the applicable joining procedure by:**
 - (1) **Appropriate training or experience in the use of the procedure; and**
 - (2) **Making a specimen joint from pipe sections joined according to the procedure that passes the inspection and test set forth in paragraph (b) of this section.**

During the summer of 2020, a Norgasco employee (2020 summer intern) made multiple plastic pipe joints on a main-line distribution pipes without being qualified. This was also a violation of Norgasco Operating and Maintenance Procedure P-20, Procedure P-21 and O&M §5-A.

Multiple Norgasco personnel made verbal statements to PHMSA inspectors that their 2020 summer-intern made the plastic pipe joints. The employee's name wasn't on any of the construction documents, and the Operator did not have qualification records for the employee. Operator personnel indicated that the employee had joined pipe on the 2020 Sag Road Distribution Line and 2020 Spine Road Distribution Line installation projects, but the employee was not listed as an employee who joined pipe in any of the construction records.

2. **§ 192.513 Test requirements for plastic pipelines.**
 - (a)
 - (c) **The test pressure must be at least 150% of the maximum operating pressure or 50 psi (345 kPa) gauge, whichever is greater. However, the maximum test pressure may not be more than 2.5 times the pressure determined under §192.121 at a temperature not less than the pipe temperature during the test.**

During the installation of three service lines, Norgasco pressure tested the relocated service lines and the fittings that were electro-fused to the mains, to the operating pressure (70 psig), not to the required test pressure (140 psig). The following construction records of Norgasco work orders and pressure test reports were reviewed:(1) Sag River Road & Stallion pad dated "Fall 2020"; (2) Sag River Road & Worley AOH pad dated "Fall 2020"; and (3) Pathfinder Hanger 131 Carlile Pad on 8/13/2018. Each of these records showed that the Operator pressure tested new distribution piping to 70 psig instead of to 140 psig, as required by § 192.513(c), and the Operator's P-38 Pressure Testing Distribution Mains and Service Lines procedure.

The Operator verbally stated to PHMSA inspectors that they only tested pipe to 70 psig because they did not want to take the risk of blowing off an electro-fusion fitting on an operating line. Norgasco's distribution system MAOP is 90 psi and newly installed plastic pipe must be pressure tested to 140 psi per the Norgasco O&M Manual and Pressure Test Procedure P-38. The regulatory requirement is 135 psig (1.5 times 90 psi).

3. **§ 192.625 Odorization of gas.**
 - (a) **A combustible gas in a distribution line must contain a natural odorant or be odorized so that at a concentration in air of one-fifth of the lower explosive limit, the gas is readily detectable by a person with a normal sense of smell.**

The Operator failed to odorize the distribution line between Skid 1 (located approximately two miles North of Deadhorse) and Skid 2 (in Deadhorse, AK). This line is operated at higher pressures than the rest of the distribution system, with operating pressures of 450-480 psi, and an MAOP of 740 psi, which is 16% SMYS. Norgasco currently odorizes gas for their distribution system at Skid 2.

4. § 192.625 Odorization of gas.

(a)

(f) To assure the proper concentration of odorant in accordance with this section, each operator must conduct periodic sampling of combustible gases using an instrument capable of determining the percentage of gas in air at which the odor becomes readily detectable. Operators of master meter systems may comply with this requirement by-

(1) Receiving written verification from their gas source that the gas has the proper concentration of odorant; and

(2) Conducting periodic "sniff" tests at the extremities of the system to confirm that the gas contains odorant.

Norgasco failed to follow the manufacturer's instructions while using the Heath Consultants Odorator Model #1, resulting in an inaccurate odorant level reading. During an odorant test observed by PHMSA inspectors, the Operator did not remove the Heath Consultants Odorator from the carrying case while conducting the test. The carrying case, with foam interior padding, was not supplied by the manufacturer and was used by the Operator to protect the instrument from fall damage and to keep it from freezing (loss of display and battery) during cold weather. The user manual for the odorator used, Heath Consultants Odorator Model #1, page IV states: "WARNING: ... DO NOT OBSTRUCT OR BLOCK THE INTAKE OR EXHAUST PORT." A PHMSA inspector contacted the manufacturer and confirmed that the odorator should be removed from the case and used per manufacturer's instruction to ensure accuracy of the odorant level readings. The manufacturer representative stated in an email to a PHMSA inspector that the Operator's practice of leaving the odorator in the carrying case could have resulted in an inaccurate odorant reading.

5. § 192.743 Pressure limiting and regulating stations: Capacity of relief devices.

(a) Pressure relief devices at pressure limiting stations and pressure regulating stations must have sufficient capacity to protect the facilities to which they are connected. Except as provided in § 192.739(b), the capacity must be consistent with the pressure limits of § 192.201(a). This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year, by testing the devices in place or by review and calculations.

Norgasco failed to conduct a review of its pressure relief device capacities for the pressure safety valves at Skid 1 and Skid 2 each calendar year, at intervals not exceeding 15 months. The Operator was unable to provide pressure safety valve (PSV) capacity calculations for the pressure safety valves at the Skid 1 and Skid 2 regulating stations upon request.

- 6. § 192.807 Recordkeeping.**
Each operator shall maintain records that demonstrate compliance with this subpart.
- (a) Qualification records shall include:**
- (1) Identification of qualified individual(s);**
 - (2) Identification of the covered tasks the individual is qualified to perform;**
 - (3) Date(s) of current qualification; and**
 - (4) Qualification method(s).**

Norgasco did not have a qualification records for each operator qualified (OQ) employee that evidenced compliance with the regulation. The existing training records did not document the qualification method (e.g. exam).

Proposed Compliance Order

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022 and before January 6, 2023, the maximum penalty may not exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to items 2, 3, 4, 5 & 6 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Norgasco Inc. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Item(s)

With respect to item 1, we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct this item. Failure to do so may result in additional enforcement action.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement Proceedings*. Please refer to this document and note the response options. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 5-2023-016-NOPV**, and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

DUSTIN B
HUBBARD

Digitally signed by
DUSTIN B HUBBARD
Date: 2023.03.24
07:46:17 -06'00'

Dustin Hubbard
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Enforcement Proceedings

Cc. Chris Lyon, PHMSA (21-207466)
Bret Bartholomy, Norgasco, DOT Compliance Primary, bret@norgasco.com

PROPOSED COMPLIANCE ORDER

Pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Norgasco Inc. a Compliance Order incorporating the following remedial requirements to ensure the compliance of Norgasco Inc. with the pipeline safety regulations:

- A. In regard to Item Number 2 of the Notice pertaining to failure to fully pressure test newly electro-fusion hot-tapped fittings and associated service lines, Norgasco Inc, must complete the following within **365** days of receipt of the Final Order.
 - a. Pressure test to 140 psig the three hot-tapped three electrofusion fittings that were only pressure tested to 70 psig, at Sag River Road & Stalion Pad, Sag River Road & Worley AOH Pad and Pathfinder hanger 131 Carlile Pad. This test may require removal and replacement of the electro-fusion fittings.
 - b. Pressure test the three service lines associated with these three pads to 140 psig.
 - c. Provide notice to PHMSA inspector Chris Lyon via email at christopher.lyon@dot.gov, **30** days prior to the test.
 - d. Document completion of the tasks above and submit to the PHMSA Western Regional Director.
- B. In regard to Item Number 3 of the Notice pertaining to failure to odorize the distribution line between the Hilcorp Tie-in and Skid 2, Norgasco Inc. must complete the following within **120** days of receipt of the Final Order.
 - a. Submit a compliance plan to the PHMSA Western Regional Director for review and approval.
- C. In regard to Item Number 4 of the Notice pertaining to proper use of the Odorator, Norgasco Inc. must complete the following within **30** days of receipt of the Final Order.
 - a. Install a label on the Odorator carrying case requiring removal of equipment from the case during use.
 - b. Conduct an updated training class for all Operator personnel qualified to operate the Odorator to ensure they are properly trained to conduct Odorant testing per the manufacturer's recommendations.
 - c. Revise the Norgasco Operations and Maintenance Procedure for odorant testing to include requirement that the odorant meter to be removed from its carrying case during testing.
 - d. Document completion of the tasks above and submit to the PHMSA Western Regional Director.
- D. In regard to Item Number **5** of the Notice pertaining to lack of pressure safety valve (PSV) relief calculations, Norgasco Inc. must complete the following within **120** days of receipt of the Final Order.
 - a. Submit documentation to the PHMSA Western Regional Director

demonstrating Norgasco's pressure relief devices at pressure limiting stations and pressure regulating stations have sufficient capacity to protect the facilities to which they are connected.

- E. In regard to Item Number 6 of the Notice pertaining to lack of Operator employee Qualification records, Norgasco Inc. must complete the following within **120** days of receipt of the Final Order.
 - a. Submit revised procedure(s), with data collection forms, that demonstrate full documentation of the operator qualified (OQ) training of each covered employee to the PHMSA Western Regional Director.

It is requested that Norgasco Inc. maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Dustin Hubbard, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.